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# BUSINESS CONDITIONS & FORECASTS

## A M A News Letter

JAN 5 1939

AMERICAN MANAGEMENT ASSOCIATION, 330 WEST 42nd ST., NEW YORK, N. Y. . . DECEMBER 27, 1938

### The President's Scratch-Pad

¶ Six months ago, when the "recession" was the principal topic of conversation wherever business men gathered, it was promised that there would be no recession in this Association's efforts to find practical solutions to the various management problems with which member executives were confronted. At the half-way mark in AMA's fiscal year it might be well to consider the extent to which that promise has been kept.

¶ While statistics do not give the complete picture, it is interesting to note that in the last four or five months, upwards of fifteen hundred executives attended AMA's various meetings, even though the majority of the activity of the conference year is scheduled for the late winter and spring of 1939. The wider dissemination of AMA literature has continued. The great interest in each new publication that appeared showed unmistakably that the readership of our literature is increasing.

¶ Since AMA's chief function is to spread management information, its officers are keenly interested in seeing the benefits of its meetings and publications reach an ever widening audience.

¶ Financially we have improved our position and are operating well within the budget set up by your Board of Directors.

¶ From these facts we can judge that there was no "recession" in AMA activity. If AMA were to issue a semi-annual report to its "stockholders" it would show that the promise of six months ago was pretty well lived up to.

¶ Now that the business recession of last year has faded into history the question in the minds of business men is: How long will the recovery last? Whether it continues indefinitely, or whether it ends precipitously, AMA will not relax its efforts to help executives to "get the day's work done." It will record "the experience of each for the service of all."

Alvin E. Dodd

### PERSONNEL CONFERENCE CHANGED FROM NEW YORK TO CHICAGO

Meeting Will be Held at the Palmer House  
On February 15-16-17

"Putting Industrial Relations to Work" will be the theme of the coming AMA Personnel Conference to be held in Chicago on February 15-16-17, it was announced this week by C. R. Dooley, Manager of Industrial Relations, Socony-Vacuum Oil Company, and Vice-President of AMA's Personnel Division.

Speakers will put emphasis on the necessity for putting into effect personnel and industrial relations policies that have been developed in the last few years but have not been put into actual practice with sufficient thoroughness. Mr. Dooley and his program committee believe that personnel departments have an important training problem before them in this respect.

The Conference will take cognizance of the principal industrial relations trends of the year and will inquire into the significance of such developments as the collective efforts of employers on the Pacific Coast in dealing with unions, the effects of the reports of the Commission on Labor Relations to Great Britain and Sweden, and the changing character of the employer-employee relationship.

The principal legislative problems that will be discussed are the Fair Labor Standards Act and the Social Security Act. While copious memoranda have issued from the Fair Labor Standards Office, many questions under the Wages and Hours Law remain unanswered. These questions will be answered by a representative of the Fair Labor Standards Department and this discussion will be supplemented by a description of the practical problems of record keeping, etc., arising out of compliance to the act encountered by the working personnel departments of different companies. The Social Security Act will be discussed in the light of the recommendations recently made by the Social Security Board's Advisory Committee.

(Continued on back page)

### BUSINESS OUTLOOK

Better Conditions Predicted For 1939

Authorities Believe All Averages Will Be Higher

The year 1939 will be better for business than was 1938. This is the consensus of the various authorities who contribute to the inside pages of this NEWS LETTER.

And here are some of the predictions that are made for the coming year:

The monthly averages of industrial production during 1939 will be about 104. In 1937 this average was 110. In 1938 it will probably be about 85 or 86.

Wholesale prices will advance slowly and will average higher than 1938 but lower than 1937.

Automobile output in 1939 should be between 30 and 50 per cent larger than that of 1938.

Contracts for new construction will probably be larger than those of any previous recovery year. They will probably be the largest since 1930, but not as large of those of that year.

Although there will be fluctuations from month to month, sales will average higher than in 1938.

It is likely that wages will trend moderately upward during 1939, with total gains for the year ranging possibly 5 per cent higher than 1938.

Strikes may increase during 1939. During 1938 labor disputes fell off some 60 per cent from the previous year. An increase in the coming year of possibly 30 per cent over 1938 is predicted.

Stock prices should be higher than they were this year. But lower than 1936 and under 1935.

Average freight loadings may advance about 15 per cent, with the increase probably not less than 10 per cent or more than 20 per cent.

# BUSINESS CONDITIONS & FORECASTS . . . . D

VOL. 11, No. 12 — PREPARED MONTHLY BY THE AMERICAN MANAGEMENT ASSOCIATION —

	Alexander Hamilton Institute	Babson Statistical Organization	Brookmire, Inc.	Business W
General Outlook	<p>The index of business income for the week ended December 3 rose to 78.3 from 77.3 the previous week; expenses exceeded income by only 1.2 points; a slight extension of the current moderate tendency toward inflation would thus take business out of the "red" (December 17).</p>	<p>We enter the winter months with an industrial and employment picture considerably better than many had even dared hope for six months ago; this improvement is due, in great part, to fundamental recovery (December 19).</p>	<p>During 1939 the physical volume of business is likely to be increased over the 1938 level by two factors: (a) expansion in construction and other capital goods industries; and (b) large Government borrowing and spending (December 17).</p>	<p>Despite the prospect of improvement will level out in the stock market, but there is a strong enough working toward recovery. The important decline most unlikely excellent grounds for expecting forward movement next S</p>
Money and Credit	<p>Total deposits of Federal Reserve member banks shown by the latest report amount to \$21,770,000,000, while customers owe the banks only \$8,460,000,000; the money and credit position is indicative of business expansion (December 17).</p>	<p>The supply of funds is becoming greater and greater; in the months ahead some arrangements may be fostered to promote further credit expansion for business purposes; small enterprise in particular needs money for inventories and expansion (December 19).</p>	<p>For 11 months of this year, corporate new capital financing totaled about \$804,000,000, compared with \$1,113,772,000 for 11 months in 1937 and \$996,744,000 in 1936 (December 10).</p>	
Security Markets	<p>The highs attained by first-grade and lower-grade bonds indicate that a bull market is in effect and that the reactions experienced this Fall have been merely secondary; the narrow movement of stock prices is more indicative of strength than of weakness (December 15).</p>	<p>We fully expect that during the year 1939 the stock market will reach new levels, higher than any since 1937; we consider monetary factors an important part of the coming stock market advance (December 12).</p>	<p>Stocks have recently moved out of their lethargy in a fashion that bespeaks underlying strength; although some further irregularity is not precluded, seasonal market tendencies are favorable and the outlook for next year is bright (December 17).</p>	<p>Usually December is a low point in the stock market, but this year have risen emphatically beyond previous appraisals of next year (December 17).</p>
Production	<p>The index of factory output, on the basis of 1923-25 as 100, rose in October to 95; this compares with 75 last June and 124 in April, 1937; the index of the value of factory production rose to 78.1 in October from 73.8 in September (December 17).</p>	<p>Business expansion during 1939 will be due largely to increases in auto production, building, textiles; and to improvement in capital goods, including machinery, electrical equipment, railroad equipment, and industries affected by arms programs (December 12).</p>	<p>Automobile production has risen to a new top for the year; further gains are discernible in the shipbuilding industry, and these will create a greater demand for steel (December 10).</p>	<p>The largest auto companies are expected to operate on a four-day per week basis; operations this week are expected to be unless sales pick up unexpectedly; part of the cotton textile industry have to curtail the present operations (December 17).</p>
Distribution	<p>The index of the value of department store sales, based on 1923-25 as 100, declined from 86 in September to 83 in October, and were 10% smaller than in the same month last year; the purchasing power index continues to expand (Dec. 3-17).</p>	<p>As a whole, sales are on the increase and quotas for 1939 should be set higher than for 1938; retail trade in 1939 is expected to average 8% to 10% above the levels of 1938 (December 12).</p>	<p>Factors supporting the present situation include: (a) sustained retail automobile demand; and (b) holiday retail trade sufficient to leave inventories low and require early replenishment (December 10).</p>	<p>Christmas retail volume is expected to come up to expectations; where from 1% to 3% to 5% above—depending on the region and the type of goods (December 17).</p>
Building	<p>Building contracts jumped in October to the largest monthly volume since May, 1930, thus assuring the manufacturing industry of good support for several months from this important source of buying (December 3).</p>	<p>Building has been proceeding steadily along the upward path of its slow, long 10-year stage of the cycle; most of the gains have been due to public funds (December 19).</p>	<p>Construction volume is headed noticeably higher during the year 1939, and may very well increase more than 50% over 1938 (December 17).</p>	<p>The big push to business is coming from the building industry; construction industry in 1939, and '37, should prove the best of recovery (December 17).</p>
Agriculture	<p>The price index of farm products in October stood at 65.1 as against 76.7 for the same month last year; farm cash income from marketings was 14.3% under October, 1937 (December 10).</p>	<p>Estimates of 1939 farm income point to figures above those of 1938, although below those of 1937; a 5% to 8% increase over the current year should be a fair approximation for the coming year (December 12).</p>	<p>Until recently, farm products prices were weak because of large crops; they have lately begun to firm up; wheat prices are effectively pegged, but cotton prices are not likely to show material strength (December 17).</p>	
Commodity Prices	<p>The index of commodity prices, based on 1929 as 100, advanced slightly to 81.2 for the week ended December 3; this was 5.6% under the same period in 1937, and compares with a 1938 high of 85.0 (December 17).</p>	<p>We are led to forecast higher average commodity prices in 1939; many raw materials, semi-finished goods and finished goods should advance in price in the months now ahead (December 12).</p>	<p>Analysis of the existing forces indicates that demand for commodities will grow in the coming year; steel prices have been reaffirmed for the first quarter of 1939, but prospective requirements seem likely to result in higher prices later on (December 17).</p>	<p>Commodities during December responded only slightly to stimulus; wheat was strong and cotton weak; there was not as much of industrial raw materials as in the case when stock prices were high in the recent past (December 17).</p>
Labor and Wages	<p>The number of persons unemployed in the United States declined in October for the third consecutive month, while factory payrolls rose to a new high for the year; the unemployed totaled 12,619,000, as compared with a 1938 high of 13,955,000 in July (December 3-10).</p>	<p>The Department of Labor reports an increase of \$5,100,000 in weekly wage disbursements during October over the preceding month; this trend should be projected far into the coming year, strengthened by growing employment and gradually expanding wage rates (December 19).</p>	<p>The index of factory payrolls, based on 1923-25 as 100, rose to 83.7 in October from 81.0 in September; this compares with 104.5 in October, 1937 (December 3).</p>	
Foreign Trade and Conditions	<p>The value of merchandise exported from the United States rose in October for the third consecutive month, though it was 16.5% lower than in October, 1937; imports in October rose to the highest level of the year; however, exports exceeded imports by \$100,000,000 (December 10).</p>		<p>Foreign affairs have disclosed further disturbances; weakness in the London stock market mirrored the increased tension on the Continent; the Italian outcry for French territory found investors an easy prey to fear (December 10).</p>	<p>World business was cool this week, as various countries were looking for important international all of which point toward economic rivalry among nations (December 17).</p>

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# . DECEMBER, 1938

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Business Week	Dun's Review	Cleveland Trust Company	National City Bank
<p>The prospect that business will level out in the near future, strong enough undercurrent toward recovery to make an immediate recovery most unlikely and to give grounds for expecting another boom next Spring (Dec. 17).</p>	<p>The conservative attitude of business men toward the probability of continued heavy gains in business seems to be confirmed; November saw substantial increases in activity; in early December there were some signs of a leveling off (January).</p>	<p>It seems probable that, unless some international calamity intervenes, 1939 will be a definitely better business year than 1938; pump-priming will keep up during 1939 and, while it does, business improvement may be counted upon to continue (December 13).</p>	<p>Business sentiment has strengthened as the rise has proceeded, but no one would say that the way is clear for a sharp revival of new enterprise; unless the capital goods industries improve, a flattening out of the expansion will be inevitable (December).</p>
<p>December is a month of caution in the market, but this time prices are dropping emphatically because of encouragements of next year's business (Dec. 17).</p>	<p>Bank clearings, 22 U. S. cities, November, \$21,637,043,000, 9.9% below October, 0.7% below a year ago; Adjusted Insolvency Index (Failures), November, 51.8, compared with 59.4 in October and 51.2 a year ago (January).</p>	<p>It appears to be true that, of all the money spent for capital goods in the last recovery, only about one dollar in each four was raised by the sale of new security issues (December 13).</p>	<p>Excess reserves of Federal Reserve member banks reached \$3,350,000,000, an all-time high, on November 23; earning assets of reporting banks reacted in November approximately \$200,000,000 from the October 26 peak; commercial loans continued to recede slowly (December).</p>
<p>The volume of securities traded in November was much less than in October, although the total exceeded the number of transactions in September; stock prices reached their peak about the second week in November and then eased off slightly (January).</p>	<p>Again the index of industrial production moved upward for the sixth consecutive month, as more than seasonal gains in output during November carried the preliminary figure to 100% of the 1923-1925 average (January).</p>	<p>It seems probable that the average price of all stocks listed on the New York Stock Exchange will be higher in 1939 than it has been this year, and that it will be above the level of 1935 and below that of 1936 (December 13).</p>	<p>During November high-grade bonds held steady, while second-grade bonds tended to react with the stock market; private placements of corporate securities were the largest for any month on record (December).</p>
<p>The auto company has gone back to its regular per week schedule; steel prices this week are down 2½ points; pickup unexpectedly, a large order in the cotton textile industry may mail the present high rate of production (December 17).</p>	<p>The United States Trade Barometer rose slightly from 78.4 in September to 78.5 in October, despite the fact that only 12 of the 29 regions reported increases in trade activity during the month (January).</p>	<p>The monthly average of industrial production was 110 in 1937, and it will probably be 85 or 86 in 1938; it now seems likely that the average in 1939 will be about 104 and that it will not be higher or lower than this figure by more than 4% (December 13).</p>	<p>Since May, the improvement in industrial production has been about one-third, which is greater than any previous rise in a like time; though a seasonal leveling off is likely in December, it is expected that operations otherwise will be well maintained (December).</p>
<p>Retail volume will just about meet expectations—ranging anywhere from 1% to 3% below last year's—depending on the store, the type of merchandise and the weather (Dec. 17).</p>	<p>Major engineering construction awards for November reached the highest volume for that month since 1929 and showed an increase of 31% over November, 1937, despite a 14% decline in the number of private contracts (January).</p>	<p>The value of department store sales will probably increase during 1939, so that they will be nearer to the levels of 1937 than to those of 1938 (December 13).</p>	<p>Merchants started the holiday season with stocks 13% below last year, according to department store figures for the end of October; retail sales of automobiles have been good, and dealers' stocks need building up (December).</p>
<p>Push to business should come from the building industry; the construction program in 1939, quite unlike '36, should prove the major support for the economy (December 17).</p>	<p>Commodity prices continued to remain generally steady during November and the first half of December; Dun &amp; Bradstreet's Daily Commodity Price Index fluctuated little, evidencing a slightly downward trend in early December (January).</p>	<p>Building construction is advancing, and the volume of privately financed building will almost surely be greater next year than it has been in 1938 (December 13).</p>	<p>The best prospect for improvement in capital expenditures is in building, where the upward trend is established; building contract awards for the first three weeks of November were 35% above 1937; an 8% building improvement is forecast for 1939 (December).</p>
<p>Prices during December have risen slightly to strength in stocks; strong and cotton rallied, but not as much of an upswing in raw materials as has usually been the case when stocks were strong in November (December 17).</p>	<p>Employment and payrolls continued to expand somewhat in most sections of the country; average weekly earnings of factory workers in 25 industries (NICB) increased 41 cents from September to October (January).</p>	<p>There seems to be little prospect that commodity prices will greatly change, and so we need not fear next year either a flare-up of inflation or the accumulation of excessive inventories (December 13).</p>	<p>The recent trade agreement with Canada is objectionable to the cattle industry because it permits a greater entry of Canadian cattle at lower duty; the agreement with Great Britain favors American hog growers, since it removes Britain's 10% tariff on lard (December).</p>
<p>Business was comparatively calm in various countries made plans for international developments, a point toward sharper economic relations among nations (December 17).</p>		<p>The average hourly earnings of factory workers is one of the series likely to make new all-time high records during 1939 (December 13).</p>	<p>The month of November has been another period of rising employment, with the gains again proving greater than most people expected (December).</p>
		<p>Merchandise exports will probably be smaller and imports higher in value in 1939 than in 1938, with imports probably greater than exports (December 13).</p>	<p>Business indexes in Great Britain have recently held steadier; industrial profits in the third quarter of 1938 were larger than expected, and the seasonal rise in unemployment this Fall has been smaller than last year (December).</p>

# PROGRAM READY FOR AMA's 1939 CHICAGO PERSONNEL CONFERENCE

Here are the plans for AMA's 1939 Personnel Conference, which will be held at the Palmer House in Chicago on February 15-16-17.

The details of the sessions were announced this week by C. R. Dooley, Manager, Industrial Relations, Socony-Vacuum Oil Company, Inc., Vice-President of the AMA Personnel Division, following numerous meetings of the Planning Committee at which hundreds of suggestions from AMA members were considered.

The theme of the Conference will be: "Putting Industrial Relations Policies to Work."

## **Wednesday Morning, February 15**

Purposes and objectives of the Conference outlined by Mr. Dooley, Chairman of the session.

*Top Management's Responsibilities in Making Industrial Relations Policies Work.* C. M. Chester, Chairman, General Foods Corporation, will present top management's views on industrial relations work. He will discuss the leadership which top management must give in putting industrial relations to work.

## **Wednesday Afternoon, February 15**

*Wages and Hours.* Alex Elson, Chicago Regional Attorney, Wage and Hour Division, U. S. Department of Labor, will discuss the Wages and Hours Law and will answer practical questions arising in personnel departments regarding the Act.

*State Wages and Hours Legislation; and Personnel Problems Raised by the Walsh-Healey Act.* This discussion will be presented by Henry Clifton, Jr., of McLeanahan, Merritt and Ingraham, who will give particular attention to State wages and hours laws and their effect upon existing regulations and conditions. Readers are invited to send in to AMA headquarters any questions on these two items of legislation.

*Changes in Social Security.* Professor J. Douglas Brown of Princeton University, who has been Chairman of the Social Security Board's Advisory Committee, will discuss the effect upon existing industrial pension plans of the recommendations recently announced by the Advisory Committee.

## **Thursday Morning, February 16**

The Thursday morning session will be given over entirely to the subject of wage and salary administration. It will be presided over by A. L. Kress, Director, Industrial Relations Department, National Electrical Manufacturers Association. Mr. Kress is well known to AMA members for his extensive work in the field of wage administration and rating.

*Principles of Job Rating.* In recent AMA Conferences, techniques of job evaluation have been presented. However,



C. R. DOOLEY

Heading the Chicago Personnel sessions is C. R. Dooley, Manager, Industrial Relations, Socony-Vacuum Oil Company. Mr. Dooley, who succeeded Thomas G. Spates, Director of Industrial Relations, General Foods Corporation, as AMA's Vice-President of the Personnel Division, is well known in the industrial relations world and was one of the founders and first vice-presidents of AMA. He will preside at the opening session of the coming conference.

there is a continuing interest in the subject, and the papers in this conference will emphasize ways and means of selling the job evaluation and rating program to management and employees.

*Merit Rating.* H. H. Kerr, President, Boston Gear Works. The rating of individuals is necessary to give effect to a job evaluation program. This paper will discuss the place and constructive use of a merit rating plan.

## **Thursday Afternoon, February 16**

*Regularization of Employment.* C. Canby Balderston, Professor of Industry, University of Pennsylvania. This paper will meet the widespread interest in plans for production stabilization, the annual wage, and similar efforts by management to minimize the employment hazards of our industrial development.

*Standards of Executive Performance.* William Conover, Assistant Director of Industrial Relations, U. S. Steel Corporation of Delaware. Individual rating plans are usually limited to employees under \$4,000 a year. Mr. Conover will discuss the logical next step—evaluation of positions in the "higher brackets."

*Group Medicine.* Dr. W. A. Sawyer, Medical Director, Eastman Kodak Company. This discussion will inquire into the place of the voluntary group medical plan in an industrial relations program.

## **Thursday Evening, February 16**

An evening dinner smoker will be held on Thursday evening at which the topic

## **Wide Interest in Personnel Sessions**

A new record was established during the preparations for the coming Personnel Conference in the number of letters, telephone calls and telegrams from AMA members containing program suggestions. The number of such messages broke all existing AMA records, indicating the keen interest in the sessions. Not only were personnel executives heard from, but also company presidents, production men, office managers and sales executives.

Mr. Dodd, President of AMA, Mr. Dooley and the members of the Planning Committee are extremely grateful for this help. They have attempted to acknowledge each letter personally, but if in the great influx of letters some were overlooked, this does not mean that all were not carefully considered.

of discussion will be "Getting Management Policies Across to the Supervisory and Working Force." George Hodge of the Industrial Relations Department of the International Harvester Company will preside at the smoker.

## **Friday Morning, February 17**

This session will be devoted to a study of the collective efforts of employers in dealing with unions, with specific reference to the San Francisco Employers' Council and to the British and Swedish systems. The speakers will be Almon E. Roth, President of the San Francisco Employers' Council, who will describe the objectives and operation of his organization; and Ivan L. Willis, Assistant Manager of Industrial Relations, Standard Oil Company of New Jersey, who will discuss the applicability of the British and Swedish collective bargaining methods to American conditions.

## **ANNUAL MEETING OF N.M.C. ON FEB. 1st**

The Annual Dinner Meeting of the National Management Council will be held on February 1 at 6:45 P.M. at the Hotel Biltmore, New York City. The speakers will be Erwin H. Schell of the Massachusetts Institute of Technology and William L. Batt, President, International Committee on Scientific Management, and President of SKF Industries, Inc.

Presiding at the meeting will be Howard Coonley, President of the National Association of Manufacturers, President of the Walworth Company. Reservations should be sent to C. E. Davies, 29 West 39th Street, New York City. Tickets are \$5.00.